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number of states enacted similar legislation and thus indicated a widespread belief in the necessity of regulation.¹²

Besides this there had been a great mass of evidence accumulated upon the subject of the importance of regulation from the point of view of the public health and so of the public well-being. A court which doubted in 1895 and so rejected, in 1910 was convinced and so sustained the legislative power.

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WASHINGTON NOTES

HIGHER RAILROAD RATES

THE NEW BUREAU OF MINES

UNSATISFACTORY BANKING CONDITIONS

THE CORPORATION TAX YIELD

A NEW TARIFF INVESTIGATION

WORK OF THE MONETARY COMMISSION

The first result of the expected railroad legislation, upon which Congress is now engaged under the influence of President Taft, has just been witnessed in the form of a large and widely diffused addition to railroad freight rates with some incidental additions to passenger fares here and there. The higher rates represent a very serious increase in the cost of transportation to the shipper and ultimately of course to the consumer. From Kansas City to St. Louis the new rates will amount to an advance of from 18 to 23 per cent. over the old schedule; from Chicago to St. Paul and throughout the tributary territory the increase is from 13 to 50 per cent. according to the class of articles affected; from western cattle-shipping and packing-house points to Chicago, about 20 per cent.; from St. Paul and other points in the same general territory to New York, about 15 to 20 per cent.; and from Pennsylvania and other adjacent steel and iron producing points to St. Paul and tributary territory, from 10 to 50 per cent. according to the article affected. Numerous less important scattering rates have also been directly raised or affected in some way through changes in classification. The tariffs mentioned are, however, of great importance because they represent the additions which will be made to all through charges east or west of which the rates quoted form a part. These changes are of particular interest in another way because

¹² See Mr. Brandeis' brief for a convenient list of these states; also Freund, article cited, for exposition of this point.

they are the outcome of a general and joint movement on the part of the railroads acting together, and demonstrate the existence of a united effort to force advances in the cost of transportation. Just how long these advances have been under consideration is a question upon which opinions differ. The rates as filed will not go into effect until June 1, 1910, but many of them have doubtless been under discussion since two years ago when federal officials made an earnest effort to have the action then proposed deferred, because of prevailing industrial and political conditions. The excuse assigned for advancing the rates at the present moment is partly the heavy increases in wages which have been conceded by the roads during the past few months—in some cases owing to the intervention of the national government through arbitration proceedings—and partly the exigencies of the situation produced by the prospective passage of the new railroad bill. The latter is undoubtedly the controlling reason for filing so many important rate sheets simultaneously. Should the railroad measure now under consideration pass Congress in anything like the form which is contemplated, the obstacles to the process of raising rates would be much more serious than they now are. The Interstate Commerce Commission, under the proposed bill, could suspend future advances, if it deemed best, without the lengthy proceedings which are now necessary, and in some cases would doubtless do so. The provisions of the bill are not, however, intended to be retroactive, and hence the desire to place the new tariffs on file before any measure actually comes to the statute books.

In passing the bill creating a Bureau of Mines (May 2), Congress has taken a step that may prove to be of considerable significance in connection with present mining methods and with official statistics of mining. Up to date, the work of the national government with regard to mines has been under the charge of the United States Geological Survey. This has been carried on in what is known as the "Technologic Branch" of the Survey which has not only investigated mining conditions from the purely scientific standpoint but has also given a good deal of attention, in pursuance of special instructions from Congress, to the practical side of mining. This practical work has included elaborate tests of explosives with a view to determining their suitability for use in mines under various conditions, tests and inquiries into the efficiency of rescue

appliances, for use in mines where accidents have occurred and where entrance to the workings must be gained before poisonous gases have been dissipated, and other matters of similar character. The bill now passed proposes to transfer all these phases of investigation to the Bureau of Mines, thus leaving the Survey more narrowly a scientific bureau, while the new organization will be expected to devote itself to the same duties as heretofore performed in the Survey, with further extensions in the directions that have been pursued in the past. Objection has been made to this bill upon the ground that the federal government could have no jurisdiction or power of control over mining methods in the several states, and that whatever may be recommended will be without positive force on that account. It is, however, expected that the Bureau of Mines will be able to get the same kind of support from public opinion that has been secured by the Bureau of Forestry through its efforts to educate the community in forestry principles. Practical mine-owners and operators regard the prospective bureau with a good deal of apprehension because of the possibility that it may succeed in compelling reforms designed for the purpose of safeguarding the lives of employees through the use of more costly methods of operation. The recent serious disasters in a number of mining regions have been instrumental in forwarding the bill to a passage. It is probable that much of the early work of the organization will be devoted to the development of a program for the protection of miners while at work.

Notwithstanding the unusual and minute care which has been taken by the Comptroller of the Currency during the past year in improving the methods of bank examination, the gradual drift of the banks, since the return of active business after the panic of 1907, has been toward serious expansion of loans and discounts without corresponding growth in specie strength. This tendency has been exhibited in a particularly marked way in the April bank return and has given rise to very anxious inquiry into the causes of the movement. Active real estate speculation in the Middle West, and the lending of considerable amounts of national bank funds upon this class of security—usually in such ways as to avoid the prohibitions of the national bank act—has been found to be the material underlying cause of the change in bank items. This, and developments of a somewhat similar sort in other parts of the

country, are leading to the belief that no supervision of the system, however rigid, will suffice to keep the banks in position to ward off the danger of suspension as the result of panic or stringency. The condition has emphasized in the minds of members of the administration and of Congress the necessity of providing for legislation designed to improve the currency situation at an early date. The promised retirement of Senator Aldrich, and the official refusal of the President, early in May, to indorse the central bank plan for which Mr. Aldrich has stood, are accepted as proof positive of the abandonment of any effort to force this plan upon the country. There is, nevertheless, a general admission that in the absence of a strong popular movement it will be impossible to secure legislation during the next Congress. This failure will defer action practically for at least two years. Meanwhile, through the co-operation of Secretary MacVeagh and Comptroller of the Currency Murray important changes designed to promote soundness in the banking system have been determined upon. Early in May, it was announced that a plan had been developed for placing the examiners definitely upon a civil service basis, by requiring an accountancy examination of future appointees; while plans were made public for protecting the conditions of entrance to the system by compelling banks to adopt by-laws assuring the participation of directors in the active conduct of the institutions to which they belong. Directors are also to be required to acknowledge the receipt of criticisms from the examiners and to undertake in writing to rectify the conditions complained of. Finally, agreements have been made with state banking departments for the interchange of information between them and the national government with a view to preventing institutions which have been criticized in one system from changing their charters and entering the other.

Some interesting information with respect to the earnings of corporations has been obtained by the Treasury Department which, on May 10, made public the condensed returns obtained as the result of the application of the new federal corporation tax of 1 per cent. upon the net earnings of all corporations in excess of \$5,000 a year. The compiled returns show that, in all, 231,243 corporations have reported, and that they have been assessed in all \$25,709,045 in taxes, the penalties assigned for failure to furnish returns by March 1 being \$101,570. This figure for the total

returns to be derived from the corporation tax is unexpectedly low. Originally the expected yield of the tax had been tentatively set at \$25,000,000 in round numbers, but later investigation convinced the authorities in charge of the work of collection that that would be much too low an estimate. An early estimate of the number of corporations organized and nominally subject to the tax was 400,000. The fact that the returns are no larger is assigned by government officers to several different causes. (1) The exclusion of all corporations with earnings below \$5,000 net would naturally eliminate a considerable number of concerns. (2) Many corporations have rearranged their accounting in such a way as to show earnings permanently less than the exempted amount owing to large salary payments and the like. (3) The earnings reported for the calendar year ending with December 31 last are probably not nearly so great as those which may be expected during the current year owing to changes in business conditions. (4) Changes in accounting designed to allow for depreciation, etc., reduce the earnings shown as net temporarily, though the accounts will in the long run have to show actual earnings at a higher figure if the accounting is honest. (5) Many concerns have given up their charters and are now partnerships. Of the large total of 400,000 corporations investigation has shown that many were organized only upon paper, or are defunct. The distribution of the corporation taxes is also of much interest as showing the location of corporate earnings geographically. The revenue district comprising New York city reports the largest total of assessed taxes with \$3,274,748. Chicago is second with \$2,226,786. Pittsburg ranks third with \$1,565,098. The Philadelphia, Massachusetts, Minnesota, and Newark, N.J. collection districts each report more than \$1,000,000 of tax assessment. The amount realized from the tax, should it be finally and legally covered into the Treasury, is insufficient to relieve the revenue conditions which it was created to remedy. Much more has been done in that direction by the unusually productive powers of the Payne-Aldrich tariff act which left the Treasury, on May 10, when the tax returns were made known, with a deficit for the year in all accounts (including the Panama Canal for which no bonds have this year been issued) of near \$45,000,000 as against \$123,000,000 at the corresponding date a year ago. The corporation tax seems unmistakably disappointing as a revenue producer as well as in other ways.

Definite steps have now been taken by President Taft toward the opening of tariff study and investigation, presumably with a view to a forthcoming revision. The tariff board, which spent the whole of the past winter and early spring in studies relating to the operation of the maximum tariff section of the Payne-Aldrich act was instructed at the opening of April (the "minimum" rates having been applied to all foreign countries from and after April 1) to organize a domestic tariff inquiry. This is taking the form of preparations for the making of a tariff "glossary" which is to contain scientific information about all the products mentioned in the tariff itself, their duties, and their relations to one another. In this are to be explained the various stages in processes of manufacture represented by successive remanufactured products which bear different tariff rates as, e.g., wool, tops, yarn, cloth, etc. The work has begun with the drug and chemical schedule and this is being investigated by economic and chemical experts specially delegated for the purpose. Work will be extended from time to time as the staff of the tariff board is increased though the schedules will not necessarily be dealt with in the same order in which they occur in the tariff law. One of those which is to be taken up for early study and report is the wool and woolens schedule. This President Taft, notwithstanding his general approval of the act as a whole, has referred to as decidedly unsatisfactory in character. The board, by consent of the president, has asked Congress for \$250,000 to be expended in employing the experts needed and in such travel as may be deemed necessary. As a preliminary, Chairman Emery has undertaken a visit to Germany and Austria for the purpose of ascertaining the methods employed by the tariff commissions which have been at work in those countries during the past few years. The action of the President, and the request for a congressional appropriation, have again placed before the legislative body the question of its attitude toward the tariff commission idea. This has brought to light a significant change in the tariff status which has occurred within the past six months. A considerable number of so-called "conservative members," who were formerly adverse to any tariff investigation and did their utmost to prevent the passage of the provision carried in sec. 2 of the tariff act of last summer, have now become advocates of tariff inquiry and are very ready to grant the funds needed. They are, however, adverse to bestowing upon the tariff board any power of summoning witnesses

who may be needed or of interrogating witnesses under oath or otherwise securing direct evidence—powers which are considered necessary to the making of a conclusive report. The Tariff Board itself has not specifically asked for these powers and is inclined to minimize the importance or feasibility of getting what is called “information on comparative costs of production,” recognizing the economic absurdity of such an undertaking in the sense in which it is being discussed in Congress.

One of the most useful documents thus far furnished by the National Monetary Commission has just been issued. This is the German Bank Inquiry of 1908 which is published in translation as *Senate Document 407* (61st Congress, 2d session). This document covers the points dealt with in the “special question sheet” which formed the basis of the bank inquiry and affords a valuable mass of testimony on a number of topics that are being discussed in connection with our own banking problem. Among them are the question how far a central bank can succeed in promoting the importation of gold and in controlling the international movement of specie generally, and the problem of how far to go in permitting an issue of tax-free uncovered bank notes. The volume comprises nearly 1,200 pages.